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No. 73-187

IN THE

Supreme Court of the United States

KEWANEE OIL COMPANY,

Petitioner,

v.

BICRON CORPORATION et al.,

Respondents.

ON PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS SIXTH CIRCUIT

MOTION FOR LEAVE TO FILE BRIEF AMICUS CURIAE

and

BRIEF AMICUS CURIAE OF THE PATENT LAW ASSOCIATION OF CHICAGO SUPPORTING PETITION FOR CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SIXTH CIRCUIT

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CONTENTS

	PAGE
MOTION FOR LEAVE TO FILE BRIEF AMICUS CURIAE	1
BRIEF AMICUS CURIAE OF THE PATENT LAW ASSOCIATION OF CHICAGO SUPPORTING PETITION FOR CERTIORARI	3
I. QUESTIONS PRESENTED	3
II. INTEREST IN AMICUS CURIAE	3
III. REASONS FOR GRANTING WRIT OF CERTIORARI	4
1. Conflict with the Circuits	5
2. Impact on Commerce	6
3. Conflict with Congress and this Court	7
CONCLUSION	9

TABLE OF AUTHORITIES

Cases	Page
Dekar Industries, Inc. v. *Bissett-Berman Corp.*, 434 F.2d 1304 (9th Cir. 1970)	5
Dr. Miles Medical Co. v. *Park & Sons Co.*, 220 U.S. 373 (1911)	7
E. I. du Pont de Nemours Powder Co. v. *Masland*, 244 U.S. 100 (1917)	7
E. I. du Pont de Nemours & Co. v. *United States*, 288 F.2d 904 (Ct. Cl. 1961)	8
Fowle v. *Park*, 131 U.S. 88 (1889)	7
Goldstein v. *California*, ... U.S. .... (1973); 178 U.S.P.Q. 129	9
Lear v. *Adkins*, 395 U.S. 653 (1969)	7
Painton & Co. v. *Bourns, Inc.*, 442 F.2d 216 (2d Cir. 1971)	5, 6
Patterson v. *Kentucky*, 97 U.S. 501 (1878)	7
Pickren v. *United States*, 378 F.2d 595 (5th Cir. 1967).	8
Servo Corp. of America v. *General Electric Co.*, 337 F.2d 716 (4th Cir. 1964)	5
Water Services, Inc. v. *Tesco Chemicals, Inc.*, 410 F.2d 163 (5th Cir. 1969)	5

Statutes and Regulations	
U. S. Const. Art. I. § 8	3, 9
The Freedom of Information Act, 5 U.S.C. § 552(b)(4) (Supp. IV, 1969)	7
The Federal Trade Commission Act, 15 U.S.C. § 46(f) (1964)	7
The Securities and Exchange Act of 1934, 15 U.S.C. § 78x(a) (1964)	7
The Flammable Fabrics Act, 15 U.S.C. § 1193(c) (Supp. IV, 1969)	7

PAGE

The National Traffic and Motor Vehicle Safety Act of 1966. 15 U.S.C. § 1401(e) (Supp. IV, 1969) 7

Act to Develop the Commercial Fishing Industry, 16 U.S.C. § 778(e) (Supp. IV, 1969) 8

18 U.S.C. § 1905 (1964) 8

The Federal Food, Drug and Cosmetic Act, 21 U.S.C. § 331(j) (1964) 7

The Wholesale Poultry Products Act, 21 U.S.C. § 458(a)(5) (Supp. IV, 1969) 7

The National Stolen Property Act, 26 U.S.C. §§ 1221-1223 (1964) 8

Act to Provide Synthetic Liquid Fuels from Coal and Oil Shale. 30 U.S.C. § 332(b) (1964) 8

The Clean Water Restoration Act of 1966, 33 U.S.C. § 1160(c)(7) (Supp. IV, 1969) 7

The Radiation Control for Health and Safety Act, 42 U.S.C. § 263i(e) (Supp. IV, 1969) 7

The Air Quality Act of 1967, 42 U.S.C.
§ 1857b-1(b)(4) (Supp. IV, 1969)
§ 1857d(c)(5) (Supp. IV, 1969) and
§ 1857f-6(b) (Supp. IV, 1969) 7, 8

The Federal Explosives Act, 50 U.S.C.
§ 131 (1964) 7

Armed Services Procurement Regulations
§§ 9-200 et. seq. 8

NASA Procurement Regulations
§§ 9-200 et. seq. 8

TREATISES AND ARTICLES

Milgrim, *Trade Secrets* (1968) 9

Sutton, *Trade Secrets Legislation*, 9 IDEA 587 (1966) 9

TREATIES PAGE

Agreements To Facilitate The Interchange Of Patent Rights And Technical Information For Defense Purposes,

Belgium, 5 U.S.T. 2318 [1954] 8

Denmark, 11 U.S.T. 148 [1960] 8

France, 8 U.S.T. 353 [1957] 8

Germany, 7 U.S.T. 45 [1956] 8

Greece, 6 U.S.T. 2173 [1955] 8

Italy, 12 U.S.T. 189 [1960] 8

Japan, 7 U.S.T. 1021 [1956] 8

Netherlands, 6 U.S.T. 2187 [1955] 8

Norway, 6 U.S.T. 799 [1955] 8

United Kingdom, 4 U.S.T. 150 [1953] 8

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MOTION FOR LEAVE TO FILE BRIEF AMICUS CURIAE

THE PATENT LAW ASSOCIATION OF CHICAGO respectfully moves this Court for leave to file the accompanying brief *amicus curiae* in connection with the petition for certiorari in the above entitled case. Consent to the filing of the brief has been refused by Bicron Corporation necessitating the filing of this Motion under Supreme Court Rule 42.

The movant, THE PATENT LAW ASSOCIATION OF CHICAGO, is comprised of some 700 attorneys engaged in the practice of patent, trademark, copyright and unfair competition law. The Association believes that this case raises serious questions of law concerning the viability of trade secret rights. It is believed that changes in the laws concerning such rights will undoubtedly have a serious impact on commerce, both domestic and foreign. It is believed that such changes are contrary to the substantial body of law developed in the jurisprudence of this country, and that material changes in the law should be brought about only after due deliberation and a carefully and fully focused

inquiry. There can be no doubt that such changes might have serious effects on the nation's international relations, both politically and economically. For these reasons the Association feels that this Court should exercise its supervisory authority to review the decision by the Sixth Circuit in the subject case and reexamine its impact on the laws pertaining to trade secret rights, as is more fully set forth in the accompanying brief.

THE PATENT LAW ASSOCIATION OF CHICAGO

By .....
Clyde F. Willian, Counsel

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BRIEF AMICUS CURIAE OF THE PATENT LAW ASSOCIATION OF CHICAGO SUPPORTING PETITION FOR CERTIORARI

I. QUESTIONS PRESENTED

1. Whether this Court should exercise its supervisory jurisdiction to resolve the conflict between the decision of the Sixth Circuit Court of Appeals and the prior decisions both of this Court and various other Circuit Courts regarding the continued viability of trade secrets and state trade secret laws in the United States?

2. Whether state trade secret laws are in conflict with Article I, Section 8 (Clause 8) of the Constitution of the United States, and the Patent Laws of the United States (Title 35, United States Code), so as to be preempted thereby?

II. INTEREST OF AMICUS CURIAE

The Patent Law Association of Chicago was organized and has been in existence since November, 1884. Its active membership comprises some 700 attorneys engaged in the

practice of patent, trademark, copyright and unfair competition law who reside within 100 miles of the United States Courthouse in Chicago. These attorneys represent clients throughout the United States, including those residing and doing business in the judicial districts embodied within the Sixth Circuit. The affairs of the Association are governed by its Board of Managers, which is responsible for this brief. Because of the impact of the Sixth Circuit's decision on both foreign and domestic industrial and intellectual property rights, the Board voted to authorize the filing of this amicus brief.

The conflict presented by the decision of the Sixth Circuit striking down the trade secret law of the State of Ohio (and by implication the trade secret laws of other states within the Sixth Circuit) will make it difficult for organizations utilizing trade secrets in the conduct of their business to make future decisions with any degree of certainty. The conflict here is particularly critical because of the inherent nature of trade secret rights, the disclosure of which, in consequence of the Sixth Circuit Law announced in the *Kewanee* decision, will operate to destroy such rights everywhere. Without clarification from this Court, trade secret rights viable in circuits other than the Sixth Circuit can become void in all circuits.

The Patent Law Association of Chicago believes that it can demonstrate and emphasize areas of importance and conflict with respect to the question of law decided by the Sixth Circuit that might well be beyond the experience of the parties alone.

III. REASONS FOR GRANTING WRIT OF CERTIORARI

The granting of the writ is urged for a number of compelling reasons:

1. The decision is in direct conflict with the law of the other circuits.

2. The decision will have widespread practical ramifications in both domestic and international trade and could materially affect the balance of payments.

3. The decision is in direct conflict with the body of law that has developed and exists with specific recognition by Congress and this Court as to the viability of trade secrets.

1. Conflict With The Circuits

In its decision the Sixth Circuit specifically recognizes the conflict with the other circuits. (Slip Opinion at p. 7; ... F.2d ..., 178 U.S.P.Q. at 12, citing *Servo Corp. of America* v. *General Electric Co.*, 337 F.2d 716 (4th Cir. 1964); *Dekar Industries, Inc.* v. *Bissett-Berman Corp.*, 434 F.2d 1304 (9th Cir. 1970); *Water Services, Inc.* v. *Tesco Chemicals, Inc.*, 410 F.2d 163 (5th Cir. 1969); *Painton & Co.* v. *Bourns, Inc.*, 442 F.2d 216 (2d Cir. 1971).) It would seem that such express recognition is tantamount to an invitation to this Court to grant certiorari to resolve the conflict.

Perhaps the conflict is most clearly focused by comparison with the recent Second Circuit decision in *Painton, supra.* In that case, the Court had to resolve the issues of preemption of state trade secret laws by the federal patent laws, and the matter of federal patent policy. In reversing the district court by rejecting preemption, the Second Circuit held that:

> "We therefore do not find, either in general considerations of public policy or in emanations from the federal patent law, a sufficient basis for declining to enforce even the royalty provisions of trade secret agreements, at least with respect to cases where no patent application has been filed." (442 F.2d at 225)

The practical consequences of this conflict if allowed to stand are far-reaching in scope. Obviously, any public disclosure of a trade secret destroys the secrecy and the prop-

erty right that is premised on that secrecy. Thus, any trade secret holder doing business in the Sixth Circuit will find his trade secret information no longer secure from public disclosure. That, of course, would not only lead to the destruction of the property right in the Sixth Circuit, but in all other circuits as well. The probability of interference with interstate commerce is apparent. Even if the *Kewanee* holding is totally rejected outside the Sixth Circuit, its effect will be felt throughout the nation.

2. Impact on Commerce

The Second Circuit in the *Painton* decision fully recognized that the abrogation of state trade secret laws would have a severe impact on both domestic and foreign commerce. Judge Friendly observed (442 F.2d at 225):

> "In thousands of contracts businessmen have divulged such secrets to competitors, dealing at arms' length and well able to protect themselves, on the faith that mutually acceptable provisions for payment, for the preservation of confidentiality, and for the return of the secret information on termination or default will be enforced by the courts. * * * *The district judge cited no data to prove that licensing of trade secrets had worked adversely to the public interest. To the contrary, such facts as have been brought to our notice indicate that the sharing of technological know-how on the basis of proper agreements has been* [p. 226] *beneficial not only within this country but in its relations with others.*" (Emphasis added.)

In refusing to overturn trade secret laws "save on the clear showing" of inconsistency with other rules of "higher sanction" the Second Circuit took judicial notice that the loss in "foreign dollar payments might run as high as $1 billion annually." (422 F.2d at 226 n. 7). We suggest that amount would prove to be a substantial understatement.

The reasoning in *Painton* is completely consistent with Mr. Justice Harlan's admonition in *Lear* v. *Adkins*, 395 U.S. 653,675 (1969). There the Court refused to "define in even a limited way the extent, if any, to which the states may properly act to enforce the contractual rights of inventors of unpatented secret ideas." *Lear* specifically recognized the "difficulty and importance" of that task and held it should be undertaken only after a "fully focused inquiry" by the state courts to determine the extent to which they will respect the contractual rights of inventors of such unpatented secret ideas.

The Court in the *Kewanee* case was able to point to neither a "clear showing of inconsistency" nor a "fully focused inquiry."

3. Conflict With Congress and This Court

The conflict generated by the *Kewanee* decision is not limited to the decisions of other circuits, but extends to the entire body of law developed from the beginnings of our American jurisprudence. This Court has consistently recognized the common law concept of trade secrets. *Patterson* v. *Kentucky*, 97 U.S. 501 (1878); *Fowle* v. *Park*, 131 U.S. 88 (1889); *Dr. Miles Medical Co.* v. *Park & Sons Co.*, 220 U.S. 373 (1911); *E. I. du Pont de Nemours Powder Co.* v. *Masland*, 244 U.S. 100 (1917).

But of equal importance is the fact that Congress has repeatedly recognized trade secrets, rights, and their coexistence with the patent laws.[1] Since the enactment of the

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[1] 5 U.S.C. § 552(b)(4) (Supp. IV, 1969); 15 U.S.C. § 78x(a) (1964); 15 U.S.C. § 46(f) (1964); 21 U.S.C. § 331(j) (1964); 50 U.S.C. § 131 (1964); 42 U.S.C. § 263i(e) (Supp. IV, 1969); 21 U.S.C. § 458(a)(5) (Supp. IV, 1969); 42 U.S.C. § 1857d(c)(5) (Supp. IV, 1969) and § 1857 f-6(b) (Supp. IV, 1969); 15 U.S.C. § 1193(c), (Supp. IV, 1969); 33 U.S.C. § 1160(c)(7) (Supp. IV, 1969); 15 U.S.C. § 1401(e) (Supp. IV, 1969).

first patent act in 1790, and its fifteen subsequent revisions before the last revision of 1952, Congress has enacted no less than eleven acts that expressly recognize trade secret rights. Congress has made it a federal crime for a government employee to disclose the trade secrets, 18 U.S.C. § 1905 (1964). It has enacted tax legislation that recognizes trade secrets as property subject to capital gains treatment, 26 U.S.C. §§ 1221-1223 (1964). See *E. I. du Pont de Nemours & Co.* v. *United States*, 288 F.2d 904 (Ct. Cl. 1961) and *Pickren* v. *United States*, 378 F.2d 595 (5th Cir. 1967). It has even empowered the executive branch to acquire, purchase, license or lease trade secrets, 42 U.S.C. § 1857b-1(b)(4) (Supp. IV, 1969); 16 U.S.C. § 778e(e) (Supp. IV, 1969); 30 U.S.C. § 322(b) (1964). Besides the clear expression of Congress concerning the viability of trade secrets, the executive branch of the federal government,[2] together with a host of foreign governments as signatories to existing treaties,[3] recognize both the existence of, and the necessity for, trade secrets.

The magnitude of the problem is reflected by the massive body of state law affected by the *Kewanee* decision. At least nineteen state legislatures have passed laws making it a

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[2] The procurement regulations of the Department of Defense and the National Aeronautics and Space Agency recognize and provide for the use, acquisition and protection of trade secrets. *Armed Services Procurement Regulations* §§ *9-200 et seq.* and *NASA Procurement Regulations* §§ *9-200 et seq.*

[3] These treaties recognize that a trade secret owner should be compensated for the use or disclosure of his trade secret. See, for example, *Agreements To Facilitate The Interchange Of Patent Rights And Technical Information For Defense Purposes,* Belgium, 5 U.S.T. 2318 (1954); Denmark, 11 U.S.T. 148 (1960); France, 8 U.S.T. 353 (1957); Germany, 7 U.S.T. 45 (1956); Greece, 6 U.S.T. 2173 (1955); Italy, 12 U.S.T. 189 (1960); Japan, 7 U.S.T. 1021 (1956); Netherlands, 6 U.S.T. 2187 (1955); Norway, 6 U.S.T. 799 (1955); United Kingdom, 4 U.S.T. 150 (1953).

crime to misappropriate trade secrets, while the common law of every state recognizes the right of its citizens to own trade secrets. Milgrim, *Trade Secrets* § 1.01[2] and § 1.10 (1968); Sutton, *Trade Secret Legislation,* 9 IDEA 587 (1966).

Moreover, in *Goldstein* v. *California,* — U.S. —, 178 USPQ 129, decided June 18, 1973, this Court considered the doctrine of preemption in connection with the copyright clause, Article I, § 8 (Clause 8), of the Constitution, and interpreted the federal copyright laws of the United States in a manner that is wholly inconsistent with the holding of the Sixth Circuit. This Court found in *Goldstein* that neither Article I, § 8, nor the federal copyright laws (Title 17, United States Code) precluded state legislation in the copyright field. In *Goldstein* the rationale of preemption was rejected. The inconsistency between the *Kewanee* and *Goldstein* decisions is apparent.

CONCLUSION

For these reasons the issuance of a writ of certiorari is urged by The Patent Law Association of Chicago.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I, Clyde F. Willian, a member of the bar of the Supreme Court of the United States, representing The Patent Law Association of Chicago, *amicus curiae,* certify that a copy of the within brief has been served by United States mail on counsel for each of the parties, with adequate air mail postage affixed thereto, addressed as follows:

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Done at Chicago on 30th July, 1973.

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Clyde F. Willian